State Tax Commission
FY 2023 Budget Hearing
February 10, 2022

Legislative Budget Book, 6-159
Agency Summary & Statutory Authority
The State Tax Commission is prescribed in Section 12, Article VII, of the Constitution of the state of Idaho and operates under the provisions of Title 63, Idaho Code. The Commission serves as the constitutional state board of equalization and is comprised of four members. The State Tax Commission has five budgeted programs: General Services, Audit, Collections, Revenue Operations, and Property Tax.

FY 2021 Expenditures
$42.51 Million

Revenue Operations 15.4%
Collections Division 15.9%
Audits Division 29.2%
General Services 30.7%
Property Taxes 8.8%

Total of All Funds
Appropriation vs. Expenditure

Agency Highlights
- In FY 2020 and FY 2021, The State Tax Commission expended $56.8 M and $52.8 M, respectively from the Federal COVID-19 Relief Fund as part of the Idaho Rebound Program.
- Audit: Internal control procedures were not consistently followed while employees worked remotely during the pandemic resulting in a lack of critical reviews for sales tax distributions, fuel tax distributions, Rebound Idaho distributions, reversals, and total monthly refunds that occurred in February, March, April, and May.

Please see publications from the Legislative Services, Budget & Policy Analysis Division for additional details: https://legislature.Idaho.gov/lso/bpa/pubs/
Idaho State Tax Commission

FY23 Budget

Jeff McCray, Chairman
John Bernasconi, Chief Operating Officer
Agency Overview

Function & Activity

General Services
- Commissioners, Legal, Tax Appeals, Human Resources, Information Technology, Management Services, and Taxpayer Resources

Audit
- Conducts audits on all tax types administered by the agency

Collection
- Collects unpaid taxes for all tax types

Revenue Operations
- Maintains taxpayer database, processes returns and payments, and issues refunds

Property Tax
- Provides oversight in the administration of the property tax system
FY21 Successes

Idaho Rebounds

Rebound Grants
- Small Employers – 6,414
  - $44,150,939
- Self-Employed – 5,516
  - $28,618,529

Return to Work Bonuses
- Employee Count – 27,094
  - $36,203,000

Rebates
- Count – 706,294
  - $204.7 million
FY21 Successes \( (\text{cont.}) \)
Taxpayer Resources Provided

• Increased call volume for rebates
  ▪ Multi-divisional support to improve customer experience

• Outreach
  ▪ Governor Little’s Public Safety Initiative (GPSI)

• Advocates and testers for the LUMA project
FY21 Successes (cont.)

Fraud

• Stopped $3.4 million in fraudulent refunds
• Texas tax preparer settlement – $56,640

“I want to thank the Tax Commission for identifying this situation and then taking a deeper look to determine the scope of the problem. The commission’s diligence started a process that resulted in the recovery of a significant amount of money for those affected and the preparer can no longer do this type of work in Idaho. I’m grateful for this outcome.”

– Attorney General Lawrence Wasden
• Finding 2021-105
  ▪ Significant Deficiency for Critical Reviews
    o **Cause:** End of month checking not completed
    o **Effect:** Errors not material to the scope
    o **Remedy:** New internal control procedures and processes created
    o **Status:** Completed
FY21-FY22 Challenges (cont.)

Audit Findings

• Finding 2021-106
  ▪ Significant Deficiency for Accounts Receivable Closing Package
    o **Cause**: Calculations for estimated receivables contained formula errors
    o **Effect**: Errors not material to statewide financial statements
    o **Remedy**: New internal control procedures and processes
    o **Status**: In progress
## Ongoing Challenges
### Retention & Attrition

<table>
<thead>
<tr>
<th></th>
<th>Turnover</th>
<th>Retirements</th>
<th>Vacation Payouts</th>
<th>FMLA Usage</th>
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<tr>
<td>FY22 YTD</td>
<td>14.9%</td>
<td>25</td>
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<tr>
<td>FY21</td>
<td>13.8%</td>
<td>14</td>
<td>$86,880</td>
<td>63</td>
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<td>FY20</td>
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<tr>
<td>FY19</td>
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<td>17</td>
<td>$166,985</td>
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### Ongoing Challenges (cont.)

#### Retention & Attrition

<table>
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<tr>
<th>Fiscal Year</th>
<th>Returns Filed</th>
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<tr>
<td>FY22 Est.</td>
<td>1,777,000</td>
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<tr>
<td>FY21</td>
<td>1,676,427</td>
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<tr>
<td>FY20</td>
<td>1,510,139</td>
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<tr>
<td>FY19</td>
<td>1,455,577</td>
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</tbody>
</table>

- **FY19 to FY21**, returns increased by 15%
- **FY21 to FY22**, estimates indicate additional increase of 6%
Strategic Plan

Critical Success Factors (CSF)

- CSF 1 – Retain, develop, and recruit great people
- CSF 2 – Align our budget with strategy
- CSF 3 – Improve customer interactions
- CSF 4 – Implement operational excellence in our processes
- CSF 5 – Improve our internal and external communications
Function & Responsibility

- FY21 revenue received and distributed
  - Total $6,128,459,644
    - Voluntary compliance $5,892,385,309

Function & Responsibility (cont.)

- Cost to collect $1 of revenue = $0.007
  - Revenue received $6,128,459,644
  - Appropriation spent $42,594,289
FY21 Customer Service Improvements

- Enhanced Taxpayer Access Point
- Expanded social media to include YouTube and LinkedIn
- Created Tuesday Tax FAQs videos for quick reference
FY21 Customer Service Improvements (cont.)

• Improved payment plans
  ▪ Created flexible payment plans
  ▪ Made online access easier for some

• Boise outside drop box
FAST Collection Services (FCS)

- FY22 Supplemental for FCS implementation (LBB: 6-161)
  - One-time request of $1,500,000 from the General Fund
  - Project rollout schedule estimated to be six months
  - Project start date would be March of 2022

- Preliminary estimates for return on investment
  - Approximately $20 million in revenue
  - 15% increase in annual collections
Governor’s Recommendation
FY23 Replacement Items

• American Rescue Plan Act State Fiscal Recovery Fund (ARPA) - $189,500
  ▪ Information technology equipment including laptops, audio/visual, monitors

• Dedicated Funds - $113,500
  ▪ Standard laptops, high-end laptops, standard desktops, monitors

• General Fund - $12,200
  ▪ Information technology that doesn’t qualify for ARPA funds

LBB: 6-162
Governor’s Recommendation

FY23 Personnel

Business Analyst  
DU 12.01

- One FTP - $86,600 ongoing
- Quality Assurance Business Unit
- Lead the Commission’s process improvement efforts
- Increase business continuity and customer service

Software Engineers  
DU 12.02

- Two FTP - $156,100
- Increased complexity requires technology
  - Administration
  - Collection
- Reduce daily backlog
- Increase efficiencies

LBB: 6-163
Governor’s Recommendation

Budget Alignment

Operating Expenditures

• Creates a centralized cost center under General Services
  ▪ Overhead expenses paid from one program
  ▪ Allows for simplified tracking of expenses
  ▪ Benefits internal and external stakeholders

LBB: 6-163
Governor’s Recommendation

FY23 Budget

FAST Collection Services (FCS)

- FY23 Budget (LBB: 6-163)
  - Ongoing annual maintenance of $750,000 from the General Fund

- Reduced taxpayer burden
  - Allows for self-cure
  - Flexibility in collections
  - Tailored payment plans
  - Fewer collection letters and calls
Thank you!

Benefit the people of Idaho with courteous customer service and education by providing fair, efficient, and effective revenue and tax administration.